
Internal Audit Program Planning Report

FY19 UCSC Annual Risk Assessment and Internal Audit Plan

Report No. SC-18-53
May 17, 2018

Submitted by:

Jim Dougherty, Interim Director
Audit & Management Advisory Services

Endorsed by:

Risk Intelligence Oversight Committee

Approved by:

Chancellor Blumenthal

Table of Contents

I. SUMMARY3

II. ALLOCATION AND USE OF RESOURCES

Schedule 1 – Personnel – Gross & Net Available Hours4

Schedule 2 – Activity Report – Distribution of Net Available Hours5

III. PLAN DETAIL

Schedule 3 - Internal Audit Plan Detail6

Schedule 3A/3B – Strategic Alignment and Topic/Scope Statements7

IV. INTERNAL AUDIT ANNUAL RISK ASSESSMENT / INTEGRATION WITH CAMPUS RISK INTELLIGENCE

Figure 1 – AMAS Risk Assessment Process9

I. SUMMARY

Audit & Management Advisory Services (AMAS) has completed its FY19 annual risk assessment and internal audit planning exercise, leading to the development of the FY19 Internal Audit Plan. This effort was coordinated with campus risk intelligence and compliance program efforts led by the Campus Ethics and Compliance officer, endorsed by the Risk Intelligence Oversight Committee (RIOC), and approved by the chancellor. This report provides a compilation of schedules, including:

- Allocation and Use of Resources (Schedule 1 & 2)
- Annual Audit Plan Detail (Schedule 3)
- Internal Audit Plan Strategic Alignment & Topic/Scope Statements (Schedule 3a/b)

The following list of topics represents a summary of the campus FY19 Internal Audit Plan:

Campus Planned Audits

- Campus Use of Consultants
- Succession Planning
- OPERS Diving and Boating Safety Program
- Counseling and Psychological Services
- Business Continuity Planning

Systemwide Requested Audits

- Fair Wage/Fair Work - UC Systemwide
- Outside Professional Activities - UC Systemwide
- UCPath Operational Readiness Assessment – UC Systemwide

Campus Planned and Requested Management Advisory Services/Consulting Services

- NCAA Report Annual Review
- UNEX Annual Monitoring

AMAS Participation on UC and Campus Advisory Groups

- Campus Whistleblower/Investigations Workgroup
- Information Technology Security Committee (ITSC)
- Campus Committees/Workgroups
- Limited Scope Consultations/Special Projects

II. ALLOCATION AND USE OF RESOURCES

Audit & Management Advisory Services (AMAS) Professional staffing resource allocations are as follows:

Schedule 1 - Personnel – Gross & Net Available Hours, outlines the net available hours dedicated to the UCSC internal audit program.

FY 2019 Audit Plan - Schedules 1 & 2		<i>Final</i>		<i>05/10/18</i>		
UCSC						
Schedule 1 - Personnel		Total	Q1	Q2	Q3	Q4
Gross & Net Available Hours Calculation		Year FTE	07/01-09/30/18	10/01-12/31/18	01/01-03/01/19	04/01-06/30/19
Number of authorized professional staff	4.00	4.00	4.00	4.00	4.00	4.00
Number of permanently <u>OPEN</u> authorized professional staff positions		0.00	0.00	0.00	0.00	0.00
Number of professional positions at full staffing	4.00	4.00	4.00	4.00	4.00	4.00
PLANNED ACTUAL FTEs						
Beginning of Period	4.00	4.00	4.00	4.00	4.00	4.00
Additions--Permanent	0.00	0.00	0.00	0.00	0.00	0.00
Additions--Temporary	0.00	0.00	0.00	0.00	0.00	0.00
Departure --Within UC	(0.00)	0.00	0.00	0.00	0.00	0.00
Departure--Outside UC	(0.00)	0.00	0.00	0.00	0.00	0.00
Retirements	(0.00)	0.00	0.00	0.00	0.00	0.00
Long-Term Leave	(0.00)	0.00	0.00	0.00	0.00	0.00
Estimated Turnover	(0.00)	0.00	0.00	0.00	0.00	0.00
End of Period	4.00	4.00	4.00	4.00	4.00	4.00
GROSS & NET AVAILABLE HRS CALCULATION		Total Year Hours	Q1	Q2	Q3	Q4
			07/01-09/30/18	10/01-12/31/18	01/01-03/01/19	04/01-06/30/19
Weighted Avg. FTE's	4.00	4.00	4.00	4.00	4.00	4.00
Hours in the period - Campus	2,080	520	528	512	520	
Hours in the period - Lab	0					
Subtotal - Lab / Campus	8,320	2080	2112	2048	2080	
Other Resources:						
Overtime	0	0	0	0	0	0
Contract Labor/Interns	0	0	0	0	0	0
Recharge In (or Out)	0	0	0	0	0	0
Admin. & Other	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0
Gross Available Hours	8,320	2080	2112	2048	2080	
Non Controllable Hours	1,424	345	496	271	312	
Non Controllable Hours Percent	17.12%	16.59%	23.48%	13.23%	15.00%	
Net Available Hours	6,896	1735	1616	1777	1768	

Schedule 2 – Activity Report – Distribution of net available hours, outlines the allocation of hours to direct and indirect categories.

Schedule 2 - Activity Report Distribution of Net Available Hours	Total Year Hours	Q1 07/01-09/30/18	Q2 10/01-12/31/18	Q3 01/01-03/01/19	Q4 04/01-06/30/19
INDIRECT HOURS					
Administration	650	175	200	175	100
Professional Development	365	100	80	90	95
Other	0	0	0	0	0
Total Indirect Hours	1,015	275	280	265	195
Total Indirect Percent	14.72%	15.85%	17.33%	14.91%	11.03%
DIRECT HOURS					
Audit Program					
Prior Year Audits Not Completed, DNF	0	0	0	0	0
Planned New Audits, PN	2,155	538	712	580	325
Supplemental Audits, PS	495	100	75	119	201
Audit Follow up, PNF	170	40	40	40	50
Total Audit Program Hours	2,820	678	827	739	576
Total Audit Program Percent	40.89%	39.08%	51.18%	41.59%	32.58%
Advisory Services					
Consultations/Spec. Projects, SC	1,360	320	300	300	440
Ext. Audit Coordination, SE	58	20	12	10	16
Internal Control & Accountability, SI	1	1	0	0	0
IPA, COI & Other, SP	1	1	0	0	0
Compliance Support, SU	20	5	1	5	9
Systems Dev., Reengineering Teams, etc., SR	15	5	1	1	8
Total Advisory Services Hours	1,455	352	314	316	473
Total Advisory Services Percent	21.10%	20.29%	19.43%	17.78%	26.75%
Investigations Hours, IN	800	195	60	225	320
Investigations Percent	11.60%	11.24%	3.71%	12.66%	18.10%
Audit Support Activities					
Audit Planning	291	95	25	93	78
Audit Committee Support	125	40	10	39	36
Systemwide Audit Support	190	50	50	50	40
Computer Support	80	20	20	20	20
Quality Assurance	120	30	30	30	30
Total Audit Support Hours	806	235	135	232	204
Total Audit Support Percent	11.69%	13.54%	8.35%	13.06%	11.54%
Total Direct Hours	5,881	1460	1336	1512	1573
Total Direct Percent	85.28%	84.15%	82.67%	85.09%	88.97%
Total Net Available Hours	6,896	1735	1616	1777	1768
Total Net Available Percent	100.00%	100.00%	100.00%	100.00%	100.00%
Schedule 1,2 - Cross Check					
<i>Total net available hours (From Sch 1)</i>		6896.00	1735.00	1616.00	1777.00
<i>Total net available hours (From Sch 2)</i>		6896.00	1735.00	1616.00	1777.00
Total A+AS+IN (Scd 3 Check)		5075	1225	1201	1280
Actual FTEs, End of Period (Check down)		4.00	4.00	4.00	4.00
Avail. Hours, Other Res., Subtotal (Check Down)		0	0	0	0
Gross Available Hours		8320	2080	2112	2048
Net Available Hours		6896	1735	1616	1777
Indirect Hours		1015	275	280	265
Audit Program		2820	678	827	739
Audit Support Activities		806	235	135	232
Investigations Hours		800	195	60	225
Advisory Services		1455	352	314	316
Total Direct Hours		5881	1460	1336	1512
Net Available Hours		6896	1735	1616	1777

III. PLAN DETAIL

Schedule 3 – Internal Audit Plan Detail – Provides a list of the Planned Audits and Planned Advisory Services, identifying information, and planned hours.

UNIVERSITY OF CALIFORNIA INTERNAL AUDIT PLAN DETAIL FY 2019					Final 05/10/18	SCHEDULE 3		
UCSC								
FY	LOB	LOC	Prj Code	Proj No.	Name/Title of Audit	Planned Hours	Primary Index Code	Est. Qtr Completion
					<u>Prior Year Audits Not Completed (DNFs):</u>			
FY19	Campus	SC	DNF			0		
					(a) Subtotal - Planned Carry Forward	0		
					<u>Planned New Audits (PNs):</u>			
FY19	Campus	SC	PN	SC-19-01	Campus Use of Consultants	300	H.f.01	Q1
FY19	Campus	SC	PN	SC-19-02	Succession Planning	375	J.b.04	Q2
FY19	Campus	SC	PN	SC-19-03	OPERS Diving and Boating Safety Program	250	I.b.03	Q2
FY19	Campus	SC	PN	SC-19-04	Fair Wage/Fair Work (systemwide)	200	J.b.04	Q3
FY19	Campus	SC	PN	SC-19-05	Outside Professional Activities (systemwide)	80	N.c.08	Q3
FY19	Campus	SC	PN	SC-19-06	Counseling and Psychological Services	350	O.b.01	Q2
FY19	Campus	SC	PN	SC-19-07	Business Continuity Planning	350	N.c.08	Q4
FY19	Campus	SC	PN	SC-19-08	UCPath Operational Readiness Assessment (systemwide)	250	H.e.01	Q2
					(b) Subtotal - Planned New Audits	2155		
					-			
FY19	Campus	SC	PS		(c) Planned Supplemental Audits (lump sum)	495		
FY19	Campus	SC	PNF		(d) Audit Follow Up (lump sum)	170		
					Total Planned Audit Program (a+b+c+d) ⁽¹⁾	2820		
					<u>Planned Advisory Services:</u>			
FY19	Campus	SC	SC	SC-19-50	NCAA Report Annual Review	90	M.a.01	Q2
FY19	Campus	SC	SC	SC-19-51	UNEX Annual Monitoring	350	A.c.03	Q4
FY19	Campus	SC	SC		Student Intern Program	240		
FY19	Campus	SC	SC		BAS Support	145		
FY19	Campus	SC	SC		Investigation Workgroup	40		
FY19	Campus	SC	SC		ITSC Committee	65		
FY19	Campus	SC	SC		Campus Committees/Workgroups (BAS)	50		
FY19	Campus	SC	SC		Campus Committees/Workgroups (non BAS)	130		
FY19	Campus	SC	SC		Limited Scope Consultations/Spec. Projects (Max 4 hours)	250		
					(e) Subtotal - Planned Advisory Services	1360		
					<u>Unplanned Advisory Services (by Category) ⁽²⁾</u>			
FY19	Campus	SC	SE		External Audit Coordination (SE)	58		
FY19	Campus	SC	SI		Internal Control & Accountability (CRSA) (SI)	1		
FY19	Campus	SC	SP		California Information Practices Act (IPA), Conflict of Interest (COI) & Other	1		
FY19	Campus	SC	SU		Compliance Support (SU)	20		
FY19	Campus	SC	SR		Systems Development, Reengineering Teams (SR)	15		
					(f) Subtotal - Unplanned Advisory Services	95		
					Total Advisory Services (e+f) ⁽¹⁾	1455		
FY19			IN		Planned Investigation Hours (lump sum)	800		
					Total Audits, Advisory Services, and Investigations	5075		

Schedule 3A/3B – Internal Audit Plan Strategic Alignment and Topic/Scope Statement – Provides the strategic alignment and a brief statement outlining the topic and initial project purpose, subject to revision.

Project#/ Name	Strategic Initiative & Support Statement		Topic/Scope
SC-19-01 Campus Use of Consultants	Balanced Operations	Addresses extent and appropriateness of use of consultants and contribute to better understanding of campus needs and opportunities for balanced operations.	Evaluate the adequacy of controls and determine the appropriateness of the campus use of independent consultants
SC-19-02 Succession Planning	Balanced Operations	Addresses the efficiency and strategic succession planning for employees with specialized knowledge and expertise.	Evaluate the efficiency and strategic succession planning in terms of knowledge transfer, talent mentoring, capturing important information, and the campus' ability to provide guidance and career opportunities.
SC-19-03 OPERS Diving and Boating Safety Program	Student Success and Safety Regents Identity and Reputation	Supports student success by providing assurances over practices in place to ensure the safety of students and staff. Helps avoid injury or loss of life, and protects UC reputation.	To review and assess the adequacy of the OPERS diving and boating program.
<i>(Systemwide Audit)</i> SC-19-04 Fair Wage/Fair Work	Regents Identity and Reputation	Provides assurance to the UC Office of the President that proper controls are in place and that UC Fair Wage/Fair Work policy is being followed at UC Santa Cruz campus.	Evaluate the controls in place to ensure compliance with UC Fair Wage/Fair Work policy.
<i>(Systemwide Audit)</i> SC-19-05 Outside Professional Activities	Identity and Reputation Balanced Operations	Provides assurance that no one in the service of the University shall allow outside employment to interfere with primary University duties, and helps avoid the reputational harm that could occur if the campus was not compliance with federal guidelines.	Review outside professional activities (compensated and uncompensated) for members of the Senior Management Group (SMG)
SC-19-06 Counseling and Psychological Services	Student Success and Safety Regents Identity and Reputation	Provides assurance that Counseling and Psychological Services adequately manages student needs and complies with relevant laws, regulations, policies, procedures and accreditation.	Review CAPS organization and services to evaluate adequacy for student needs and compliance with relevant accreditation requirements, regulations, policies and procedures.
SC-19-07 Business Continuity Planning	Balanced Operations	Provides assurance that business will continue in response to disasters, both large and small.	Review strategy and protocols for responding to and recovering from impacts related to disasters, both large and small.
<i>(Systemwide Audit)</i> SC-19-08 UCPath Operational Readiness Assessment	Regents Identity and Reputation	TBD	TBD
SC-19-50 NCAA Report Annual Review	Regents Identity and Reputation	Provides assurance to the Chancellor of the accuracy of general and financial information submitted to the NCAA from campus financial systems and other data sources.	Limited scope review to confirm the accuracy of the financial data included in the OPERS NCAA Equity in Athletics Data Analysis (EADA) Report for Fiscal Year 2018.

<p>SC-19-51 UNEX - Annual Monitoring</p>	<p>Regents Identity and Reputation</p>	<p>Provides the CP/EVC with information on UNEX activities by reviewing the following areas:</p> <ul style="list-style-type: none"> • Oversight and governance of UNEX activities • Sustainability and business models • Financial management and controls 	<p>Annual Controls Testing and Compliance Program</p>
---	--	---	---

IV. IA RISK ASSESSMENT / INTEGRATION WITH CAMPUS RISK INTELLIGENCE

The internal audit (IA) risk assessment is an annual and on-going predictive risk-based exercise established to identify concerns and potential risk areas for inclusion in the annual audit plan. In additions, information gathered is used as a source for the campus risk intelligence gathering process. Senior campus leadership relies on this and other information as an independent perspective on potential areas of campus risk (Figure 1).

Risk topics were coordinated with campus risk intelligence and compliance program efforts and considered for inclusion on the risk intelligence priority list maintained by the Campus Ethics and Compliance Officer (CECO). The Campus Risk Intelligence Oversight Committee (RIOC) and the Risk Intelligence Workgroup (RIWG) provides mitigation strategies on key risk priority areas and topics including recommendations for which topics could be included in the audit plan.

The approach as prescribed by the UC Internal Audit Program¹ begins with the UC Audit Risk Universe² consisting of over 180 campus entities and processes (Appendix A). Relevant topics are risk ranked and scored using weighted audit risk factors³. Input into the process includes consideration of themes and concerns generated from a wide range of individual interviews and conversations with campus leaders.

Factors in determining which topics to include in the audit plan:

- results of internal audit interviews and the UC audit universe risk ranking exercise,
- results of the CECO risk survey,
- risk mitigation strategies already in place or recommended by the RIOC on key risk priority areas,
- strengths and capacity of current AMAS staff, and
- subject area suitability and potential scoping for an audit or management advisory service.

The proposed FY2019 internal audit plan was submitted to the Risk Intelligence Oversight Committee for endorsement and approved by the chancellor.



Figure 1

¹ More information on the Internal Audit Program can be found in the UC Internal Audit Manual https://www.ucop.edu/ethics-compliance-audit-services/_files/audit/auditmanual.pdf

² <https://audit.ucsc.edu/resources/Risk%20Universe%20ver.05-27-14%20from%20MHicks.pdf>

³ Reference Internal Audit Manual Appendix 3200.2 University of California Risk Model